

Message Text

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ORIGIN EA-09

INFO OCT-01 ISO-00 OPIC-03 TRSE-00 XMB-02 COME-00 L-03

AID-05 CIAE-00 EB-07 FRB-03 INR-07 NSAE-00

USIA-06 SP-02 LAB-04 EPG-02 SIL-01 OMB-01 OES-07

FEA-01 PA-01 PRS-01 /066 R

DRAFTED BY EA/EP: DSTEBBING:SRP

APPROVED BY EA:EHEGINBOTHAM

EA/TIMBS:LROCKE

OPIC:FMCJOHNSTON

EB/IFD/OIA:DGRANT

EB/IFD/ODF:MCREEKMORE (INFO)

TREASURY:COUELLETTE

EXIMBANK:JGAINER (INFO)

COMMERCE:GFELDMAN

COMMERCE:AALEXANDER

TREASURY:RANDERSON

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FM SECSTATE WASHDC

TO AMEMBASSY BANGKOK PRIORITY

C O N F I D E N T I A L STATE 168857

E.O. 11652: GDS

TAGS: EINV

SUBJECT: CLIMATE FOR PRIVATE INVESTMENT

REF: BANGKOK 15715

1. AS PART OF OUR PREPARATION FOR THE US-ASEAN CONSULTATIONS, WE ARE LOOKING INTO WAYS THAT WE COULD RESPOND TO ASEAN COUNTRIES' EFFORTS TO ATTRACT MORE FOREIGN PRIVATE INVESTMENT. WE PARTICULARLY SINGLED OUT THAILAND
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FOR CONCENTRATED OPIC ATTENTION BECAUSE OVER THE PAST SEVERAL MONTHS, THE THAI GOVERNMENT SHOWED SIGNS OF INCREASED ATTENTIVENESS, DECISIVENESS AND MOMENTUM ON LONG-PENDING INVESTMENT PROJECTS INVOLVING FOREIGN INVESTOR INTERESTS. IN PARTICULAR WE BELIEVED THAT BREAKTHROUGHS ON THE THAI ZINC AND OFF-SHORE GAS PROJECTS COULD RENEW-FOREIGN INVESTOR INTEREST IN BUSINESS

POSSIBILITIES IN THAILAND. OPIC HAS REVIEWED ITS PROGRAMS IN THIS LIGHT AND IS PREPARED TO TAKE SEVERAL SPECIFIC ACTIONS.

A) ANNOUNCE AND PUBLISH IN OPIC'S NEWSLETTER, TOPICS, THAT THE CEILING ON NEW INSURANCE IN THAILAND HAS BEEN REMOVED;

B) TALK TO HEADQUARTERS OFFICIALS OF US FIRMS ALREADY IN THAILAND, AS WELL AS THOSE CURRENTLY CONTEMPLATING INVESTING THERE, TO GET A FEEL FROM THEM ABOUT THE INVESTMENT CLIMATE AND WHAT OPIC MIGHT DO TO ENCOURAGE FURTHER US INVESTMENT;

C) IF PROSPECTS APPEAR PROMISING AND THE THAI GOVERNMENT SO DESIRES, CONSIDER EMPLOYING A CONSULTANT TO SPEND ABOUT SIX MONTHS TO WORK WITH THE THAILAND GOVERNMENT AND THAI BUSINESSMEN STUDYING THE INVESTMENT CLIMATE, GETTING ACQUAINTED WITH RTG AGENCIES AND PROCEDURES, AND WITH RTG OFFICIALS WHO DEAL WITH THE PRIVATE SECTOR. IF A PROMOTION EFFORT APPEARS PROMISING, CONSULTANT WOULD THEN DEVELOP PROJECT PROFILES AND COME UP WITH SPECIFIC INVESTMENT PROSPECTS WHICH COULD BE CONSIDERED BY POTENTIAL AMERICAN INVESTORS;

D) CONSIDER ORGANIZING A "DIALOGUE" IN BANGKOK AND
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WASHINGTON OF US AND THAI BUSINESSMEN ON THE SAME TOPIC, POSSIBLY LEADING TO A PERMANENT BODY;

E) ASSIST IN IDENTIFYING POTENTIAL US INVESTORS FOR THE AGRIBUSINESS PROJECTS NOW BEING STUDIED UNDER AN AID GRANT TO THE RTG BOARD OF INVESTMENTS.

2. TWO RECENT EVENTS, HOWEVER, NOW GIVE US PAUSE WITH RESPECT TO US INITIATIVES TOWARD THAILAND: 1) FAILURE TO SIGN THE NEW JERSEY ZINC AGREEMENT DUE TO THAI EFFORTS TO ATTACH NEW CONDITIONS AND 2) THE THAI SUPREME COURT DECISION ON SIAMKRAFT. THE DAMAGE THAT THESE TWO ACTIONS HAVE DONE TO THE INVESTMENT CLIMATE COULD CANCEL OUT THE POSITIVE IMPACT THAT EARLIER RTG PROGRESS OR CONTEMPLATED OPIC ACTIONS WOULD OTHERWISE HAVE. CONVERSELY, THE PROSPECT OF GREATER OPIC ACTIVITY MIGHT BE USEFUL AS A CARROT IN DEALING WITH THE SIAMKRAFT PROBLEM. AS ONE POSSIBLE APPROACH, OPIC COULD ANNOUNCE REMOVAL OF THE CEILING ON NEW INSURANCE. YOU COULD THEN MAKE THE POINT THAT, REALIZING THE POTENTIAL BENEFIT OF THIS MEASURE WILL DEPEND ON RTG ACTIONS THAT INFLUENCE PROSPECTIVE INVESTORS.

3. WHAT DO YOU RECOMMEND? IF YOU FIND IT HELPFUL,
WE SUGGEST THAT YOU USE ABOVE INFORMATION TO SUPPLEMENT
POINTS MADE IN AIDE MEMOIRE (REFTEL), IN YOUR DISCUSSION
OF SIAMKRAFT CASE WITH KEY THAI OFFICIALS.

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Disposition Approved on Date:
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